

# Clean Science & Technology

Estimate changes



TP change



Rating change



Bloomberg	CLEAN IN
Equity Shares (m)	106
M.Cap.(INRb)/(USDb)	168.9 / 2
52-Week Range (INR)	1690 / 1243
1, 6, 12 Rel. Per (%)	5/2/-5
12M Avg Val (INR M)	254

## Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	7.9	9.5	12.4
EBITDA	3.3	4.0	4.9
PAT	2.4	2.9	3.7
EPS (INR)	23.0	27.5	35.0
EPS Gr. (%)	-17.3	19.8	27.2
BV/Sh.(INR)	113.2	137.2	167.6

## Ratios

Net D:E	-0.0	-0.0	-0.1
RoE (%)	22.1	22.0	23.0
RoCE (%)	21.6	21.6	22.6
Payout (%)	13.1	13.1	13.1

## Valuations

P/E (x)	69.6	58.1	45.6
P/BV (x)	14.1	11.7	9.5
EV/EBITDA (x)	51.1	42.2	34.3
Div. Yield (%)	0.2	0.2	0.3
FCF Yield (%)	0.1	0.4	1.3

## Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	75.0	75.0	75.0
DII	4.6	5.0	6.4
FII	6.1	5.9	5.8
Others	14.4	14.1	12.8

FII Includes depository receipts

**CMP: INR1,589**

**TP: INR1,440 (-9%)**

**Neutral**

## Volume growth across segments drives performance YoY

- CLEAN's reported EBITDA in 1QFY25 was below our estimate at INR947m (+24% YoY), with a gross margin of 65.4% (vs. 61.4% in 1QFY24). EBITDAM expanded to 42.3% from 40.5% in 1QFY24. The revenue contribution of Performance Chemicals increased 2% YoY, while that of Pharma & Agro Intermediates declined 1% YoY. PAT grew 12% YoY to INR659m.
- There was strong YoY growth across segments, led by healthy volumes. Europe and China markets witnessed meaningful growth. The management highlighted that there was average 60-65% capacity utilization across segments, with 70% utilization for the Performance Chemical segment (excluding HALS). CFCL has commenced production of 3 HALS products, namely HALS 622, HALS 944 and HALS 783, with another product to start production in Aug'24.
- The company anticipates improved margins within a few quarters as it scales up and covers fixed costs. Lower raw material prices are boosting the parent company's performance currently. Sustainable demand and quarterly volume growth indicate potential for increasing future volumes. CLEAN is also setting up a 6MW solar plant to moderate its power bill and enhance its green footprint.
- CLEAN spent INR1b on CFCL in 1QFY25 and plans to commercialize a pharma intermediate by 3QFY25 with a capex of INR300m. It is constructing a production block for a performance chemical with a capex of INR1.5b, to be ready by 1HFY26. Another capex of INR1-1.5b would begin in Sep'24 for a water treatment chemical in the Performance segment.
- We have made some adjustments to the tax rate for FY25 since HALS would take time to ramp up and tax benefits would occur in FY26; we account for higher utilization for HALS and FMCG Chemicals in FY26. Subsequently, we cut our EPS estimate for FY25 by 9%, but we increase our revenue/ EBITDA/PAT estimates by 7%/7%/5% for FY26. We value the stock at 40x FY26E EPS to arrive at a TP of INR1,440.

## Miss led by higher employee expenses and lower other income

- The company reported revenue of INR2.2b (+19% YoY). **Gross margin stood at 65.4% (+400bp YoY)**. EBITDA margin was 42.3% (+180bp YoY).
- EBITDA came in at INR947m (est. INR1b), up 24% YoY. PAT stood at INR659m (est. INR813m), up 12% YoY.
- CLEAN has announced that it has commenced the construction of production block for the manufacturing of a performance segment product in its WOS. Total capex would be ~INR1.5b for the same.

## Segmental and other highlights

- There was volume-led growth in 1QFY25 on YoY basis.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Revenue from **Pharma Chemicals** was INR403m (+13% YoY), led by improved volume and realization. Revenue from **Performance Chemicals** was INR1.5b (+23% YoY), with growth across all products led by increase in volumes. Revenue from **FMCG Chemicals** was INR291m (+19% YoY), led by volume growth.
- Revenue from the domestic business accounted for 37% of total revenue, while the rest was contributed by exports. The share of China and Europe increased, while the share of Americas declined.
- CLEAN incurred a total capex of INR10b in 1QFY25, primarily in subsidiary Clean Fino Chem.
- **Management has highlighted that** it commercialized three additional products under HALS series i.e. HALS 622, HALS 944 and HALS 783 in Jul'24. A pharma intermediate product is expected to be commercialized during 3QFY25.
- The board has extended the employment of Mr. Krishnakumar Boob (WTD since Apr'21) until 31<sup>st</sup> Mar'26 (He will attain the age of 70 years on 31<sup>st</sup> May'25).
- The board has also approved the appointment of Mr. Parth Ashok Maheshwari as an Additional Director designated as WTD (he is one of the promoters and son of Mr. Ashok Boob, MD).

#### Valuation and view

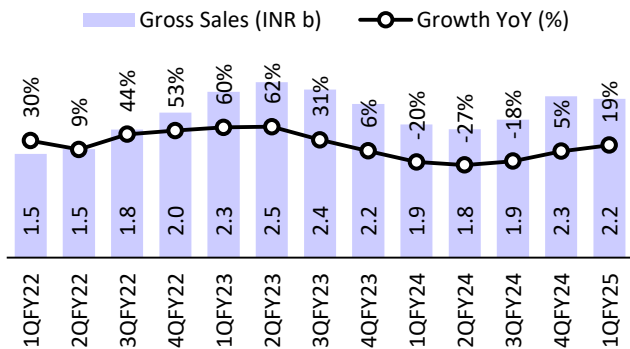
- CLEAN is actively pursuing R&D and has entered the HALS series, which has an estimated global market size of USD1b. Commercial production from CFCL has commenced and the management expects HALS utilization to reach 80% in three years.
- The company is expected to generate INR2.9b in FCF during FY25-26, with a planned capex of INR4b for the same period. The company plans to finance this capex through internal accruals and is projected to maintain a net cash position in the future.
- The stock is currently trading at ~44x FY26E EPS of INR36.1 and ~33x FY26E EV/EBITDA. We value the stock at 40x FY26E EPS to arrive at our TP of INR1,440.

#### Consolidated - Quarterly Snapshot

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE	(%)	
<b>Gross Sales</b>	<b>1,881</b>	<b>1,811</b>	<b>1,947</b>	<b>2,275</b>	<b>2,240</b>	<b>2,311</b>	<b>2,417</b>	<b>2,512</b>	<b>7,915</b>	<b>9,480</b>	<b>2,346</b>	<b>-5%</b>
YoY Change (%)	-19.6	-26.8	-18.0	4.9	19.1	27.6	24.1	10.4	-15.4	19.8	24.7	
Gross Margin (%)	61.4%	65.9%	66.8%	65.7%	65.4%	65.0%	64.8%	64.8%	65.0%	65.0%	65.7%	-0.3%
<b>EBITDA</b>	<b>761</b>	<b>748</b>	<b>866</b>	<b>945</b>	<b>947</b>	<b>987</b>	<b>1,029</b>	<b>1,047</b>	<b>3,321</b>	<b>4,010</b>	<b>1,006</b>	<b>-6%</b>
Margin (%)	40.5	41.3	44.5	41.5	42.3	42.7	42.6	41.7	42.0	42.3	42.9	-0.6
Depreciation	108	111	113	127	158	162	169	173	459	661	129	
Interest	1	3	1	6	1	2	3	5	9	11	1	
Other Income	134	60	78	141	99	128	135	206	413	569	142	
<b>PBT before EO expense</b>	<b>787</b>	<b>695</b>	<b>830</b>	<b>953</b>	<b>887</b>	<b>951</b>	<b>993</b>	<b>1,075</b>	<b>3,265</b>	<b>3,906</b>	<b>1,018</b>	<b>-13%</b>
<b>PBT</b>	<b>787</b>	<b>695</b>	<b>830</b>	<b>953</b>	<b>887</b>	<b>951</b>	<b>993</b>	<b>1,075</b>	<b>3,265</b>	<b>3,906</b>	<b>1,018</b>	<b>-13%</b>
Tax	198	173	204	250	228	240	251	265	825	983	205	
Rate (%)	25.1	24.9	24.6	26.3	25.7	25.2	25.2	24.7	25.3	25.2	20.1	
<b>Reported PAT</b>	<b>589</b>	<b>522</b>	<b>626</b>	<b>703</b>	<b>659</b>	<b>711</b>	<b>742</b>	<b>810</b>	<b>2,440</b>	<b>2,923</b>	<b>813</b>	<b>-19%</b>
<b>Adj. PAT</b>	<b>589</b>	<b>522</b>	<b>626</b>	<b>703</b>	<b>659</b>	<b>711</b>	<b>742</b>	<b>810</b>	<b>2,440</b>	<b>2,923</b>	<b>813</b>	<b>-19%</b>
YoY Change (%)	-6.3	-23.2	-25.3	-12.7	11.9	36.3	18.5	15.3	-17.3	19.8	37.9	
Margin (%)	31.3	28.8	32.2	30.9	29.4	30.8	30.7	32.3	30.8	30.8	34.6	-5.2
<b>Segment-wise Revenue (INR m)</b>												
Performance Chemicals	1,260	1,213	1,305	1,524	1,546	1,602	1,702	1,795	5,303	5,303	1,661	-7%
Pharma & Agro Intermediates	357	344	370	432	403	408	408	413	1,504	1,504	408	-1%
FMCG Chemicals	245	272	253	259	291	281	288	264	1,029	1,029	257	13%
Others	19	-19	19	60	0	20	20	40	79	79	20	-100%

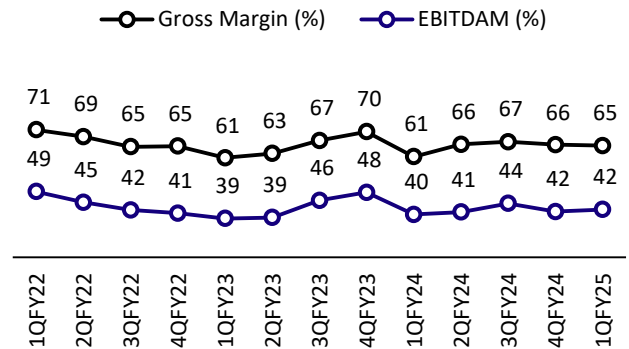
1QFY25 story in charts

Exhibit 1: Revenue increased 19% YoY



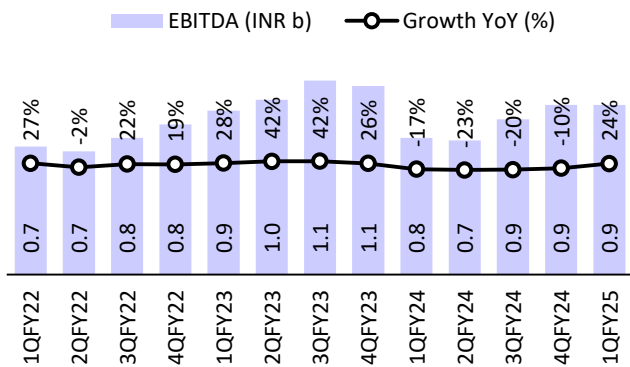
Source: Company, MOFSL

Exhibit 2: GM and EBITDAM expanded YoY



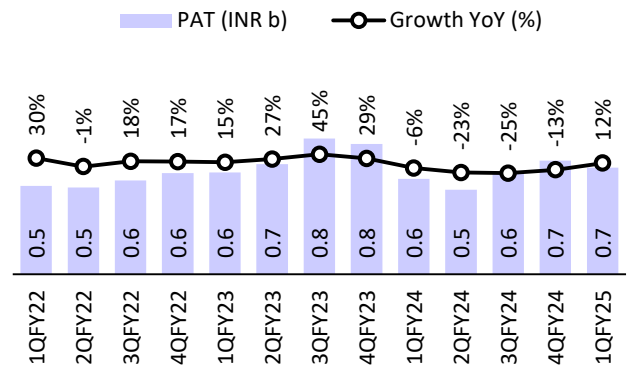
Source: Company, MOFSL

Exhibit 3: EBITDA increase 24% YoY



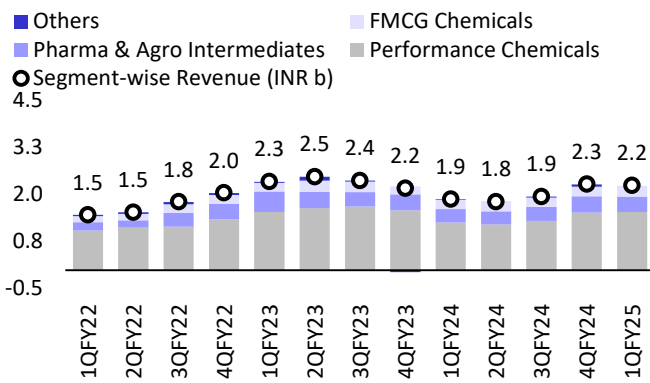
Source: Company, MOFSL

Exhibit 4: PAT was up 12% YoY



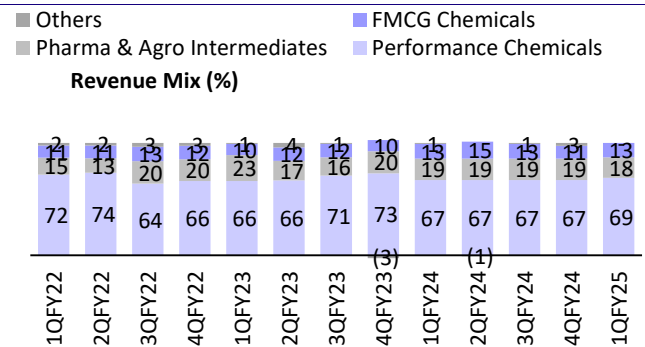
Source: Company, MOFSL

Exhibit 5: Revenue across segments increased YoY



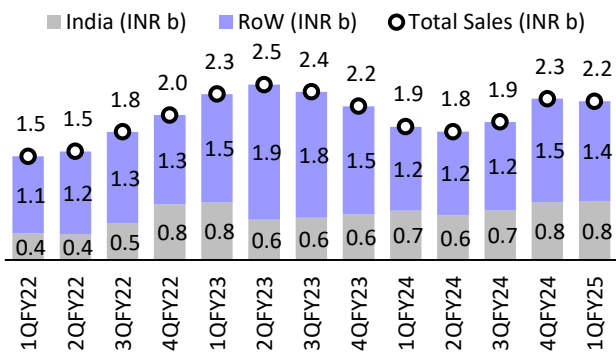
Source: Company, MOFSL

Exhibit 6: Contribution from Performance Chemicals increased YoY



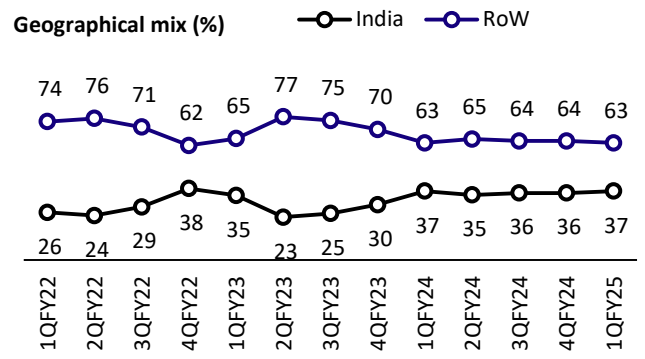
Source: Company, MOFSL

**Exhibit 7: Domestic sales increased 19% YoY**



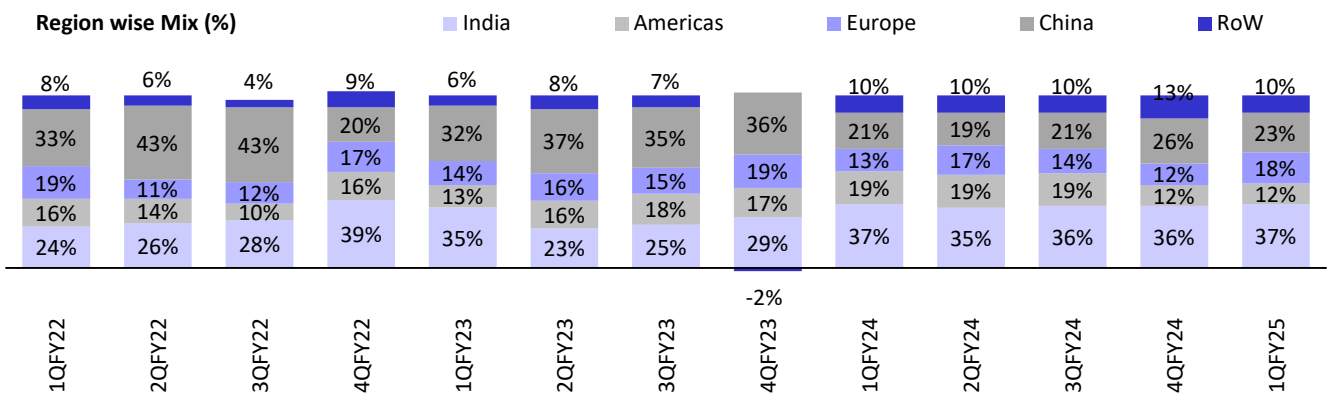
Source: Company, MOFSL

**Exhibit 8: Contribution from exports was stable YoY**



Source: Company, MOFSL

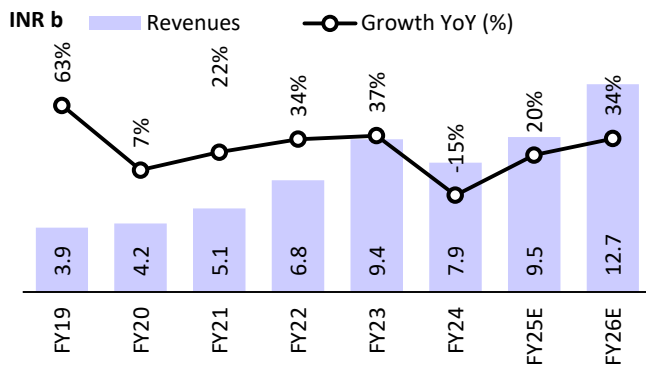
**Exhibit 9: Revenue contribution from China and Europe increased, while it declined for Americas**



Source: Company, MOSL

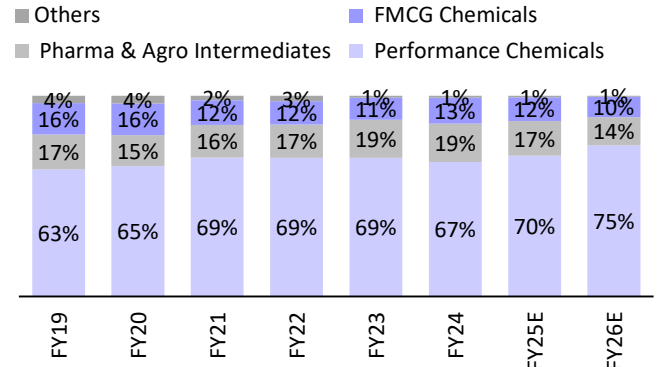
## Financial story in charts

**Exhibit 10: Expect 27% revenue CAGR over FY24-26...**



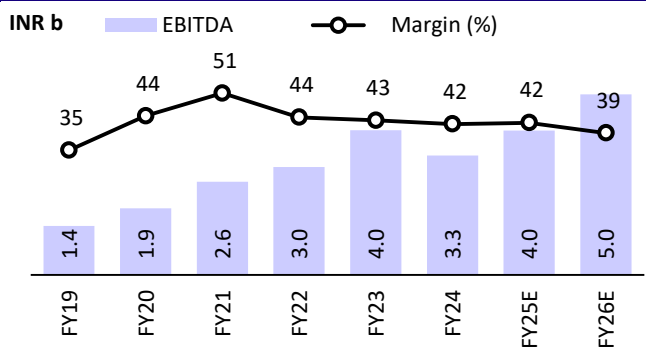
Source: Company, MOFSL

**Exhibit 11: ...driven by contribution from Performance Chemicals**



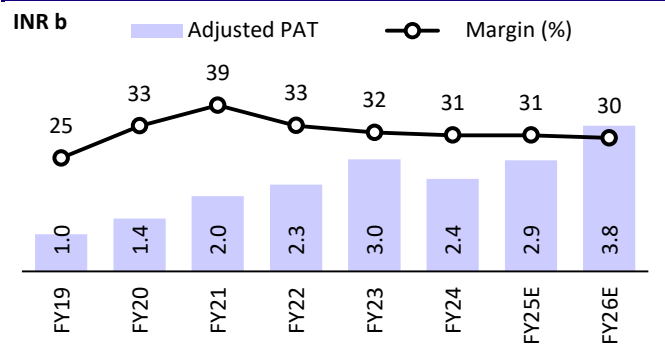
Source: Company, MOFSL

**Exhibit 12: EBITDA margin to normalize on consol basis with commissioning of HALS**



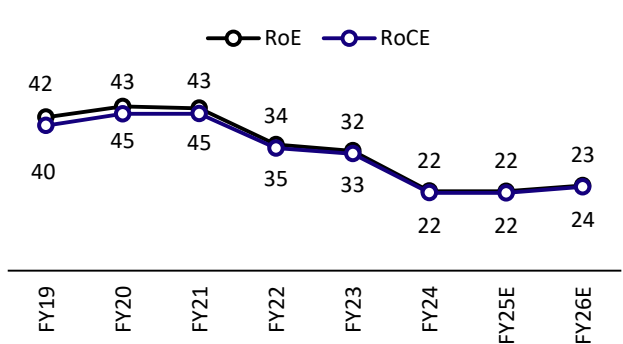
Source: Company, MOFSL

**Exhibit 13: PAT margin expected to be flat**



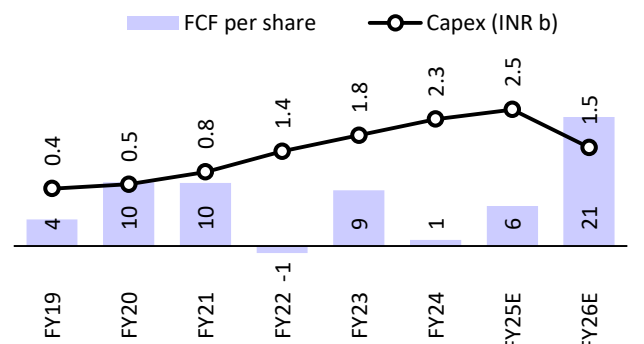
Source: Company, MOFSL

**Exhibit 14: Return profile to moderate vs. FY23**



Source: Company, MOFSL

**Exhibit 15: Expect capex of INR4b over FY25-26**



Source: Company, MOFSL

## Financials and valuations

### Consolidated - Financial Snapshot

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Total Income from Operations</b>	<b>3,933</b>	<b>4,193</b>	<b>5,124</b>	<b>6,849</b>	<b>9,358</b>	<b>7,915</b>	<b>9,480</b>	<b>12,719</b>
Change (%)	63.1	6.6	22.2	33.7	36.6	-15.4	19.8	34.2
Gross Margin (%)	56.5	69.2	75.9	67.2	65.2	65.0	65.0	65.3
<b>EBITDA</b>	<b>1,363</b>	<b>1,853</b>	<b>2,590</b>	<b>2,999</b>	<b>4,021</b>	<b>3,321</b>	<b>4,010</b>	<b>5,018</b>
Margin (%)	34.7	44.2	50.5	43.8	43.0	42.0	42.3	39.5
Depreciation	110	137	172	249	361	459	661	665
<b>EBIT</b>	<b>1,253</b>	<b>1,716</b>	<b>2,417</b>	<b>2,750</b>	<b>3,660</b>	<b>2,861</b>	<b>3,349</b>	<b>4,353</b>
Int. and Finance Charges	0	1	1	1	2	9	11	13
Other Income	113	109	256	300	298	413	569	455
<b>PBT bef. EO Exp.</b>	<b>1,365</b>	<b>1,823</b>	<b>2,673</b>	<b>3,048</b>	<b>3,956</b>	<b>3,265</b>	<b>3,906</b>	<b>4,794</b>
<b>PBT after EO Exp.</b>	<b>1,365</b>	<b>1,823</b>	<b>2,673</b>	<b>3,048</b>	<b>3,956</b>	<b>3,265</b>	<b>3,906</b>	<b>4,794</b>
Total Tax	389	427	689	763	1,005	825	983	963
Tax Rate (%)	28.5	23.4	25.8	25.0	25.4	25.3	25.2	20.1
<b>Reported PAT</b>	<b>977</b>	<b>1,396</b>	<b>1,984</b>	<b>2,285</b>	<b>2,952</b>	<b>2,440</b>	<b>2,923</b>	<b>3,831</b>
<b>Adjusted PAT</b>	<b>977</b>	<b>1,396</b>	<b>1,984</b>	<b>2,285</b>	<b>2,952</b>	<b>2,440</b>	<b>2,923</b>	<b>3,831</b>
Change (%)	100.7	43.0	42.1	15.2	29.2	-17.3	19.8	31.1
Margin (%)	24.8	33.3	38.7	33.4	31.5	30.8	30.8	30.1

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	14	13	106	106	106	106	106	106
Total Reserves	2,706	3,408	5,290	7,578	9,994	11,925	14,467	17,798
<b>Net Worth</b>	<b>2,721</b>	<b>3,421</b>	<b>5,397</b>	<b>7,684</b>	<b>10,100</b>	<b>12,032</b>	<b>14,573</b>	<b>17,904</b>
Total Loans	26	27	3	3	1	0	0	0
Deferred Tax Liabilities	139	102	176	209	234	299	299	299
<b>Capital Employed</b>	<b>2,885</b>	<b>3,550</b>	<b>5,576</b>	<b>7,897</b>	<b>10,335</b>	<b>12,331</b>	<b>14,872</b>	<b>18,203</b>
Gross Block	1,724	2,247	2,610	3,959	5,963	8,182	10,712	12,212
Less: Accum. Deprn.	454	591	752	1,001	1,362	1,821	2,483	3,147
<b>Net Fixed Assets</b>	<b>1,270</b>	<b>1,656</b>	<b>1,859</b>	<b>2,957</b>	<b>4,601</b>	<b>6,361</b>	<b>8,230</b>	<b>9,065</b>
Capital WIP	39	34	550	441	205	573	573	573
<b>Total Investments</b>	<b>752</b>	<b>1,330</b>	<b>2,321</b>	<b>1,911</b>	<b>3,531</b>	<b>3,394</b>	<b>3,394</b>	<b>3,394</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,213</b>	<b>1,279</b>	<b>1,870</b>	<b>3,938</b>	<b>3,181</b>	<b>3,635</b>	<b>4,628</b>	<b>7,787</b>
Inventory	370	346	529	881	1,088	1,237	1,481	1,987
Account Receivables	598	698	742	1,535	1,462	1,637	1,961	2,631
Cash and Bank Balance	95	93	157	747	125	106	401	2,116
Cash	94	92	93	579	125	104	399	2,114
Bank Balance	0	1	63	168	0	2	2	2
Loans and Advances	151	142	442	774	506	655	785	1,053
<b>Curr. Liability &amp; Prov.</b>	<b>390</b>	<b>749</b>	<b>1,023</b>	<b>1,350</b>	<b>1,184</b>	<b>1,632</b>	<b>1,952</b>	<b>2,616</b>
Account Payables	223	357	610	1,021	805	1,085	1,299	1,743
Other Current Liabilities	162	387	408	324	370	536	642	861
Provisions	4	5	5	5	8	12	12	12
<b>Net Current Assets</b>	<b>824</b>	<b>530</b>	<b>846</b>	<b>2,587</b>	<b>1,997</b>	<b>2,003</b>	<b>2,676</b>	<b>5,171</b>
<b>Appl. of Funds</b>	<b>2,885</b>	<b>3,550</b>	<b>5,576</b>	<b>7,897</b>	<b>10,334</b>	<b>12,331</b>	<b>14,872</b>	<b>18,203</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>9.2</b>	<b>13.1</b>	<b>18.7</b>	<b>21.5</b>	<b>27.8</b>	<b>23.0</b>	<b>27.5</b>	<b>36.1</b>
EPS Growth (%)	100.7	43.0	42.1	15.2	29.2	-17.3	19.8	31.1
Cash EPS	10.2	14.4	20.3	23.9	31.2	27.3	33.7	42.3
BV/Share	25.6	32.2	50.8	72.3	95.1	113.2	137.2	168.5
DPS	0.9	1.0	0.3	3.3	5.0	3.0	3.6	4.7
Payout (%)	9.5	7.4	1.7	15.1	18.0	13.1	13.1	13.1
<b>Valuation (x)</b>								
P/E	173.8	121.6	85.6	74.3	57.5	69.6	58.1	44.3
Cash P/E	156.2	110.7	78.7	67.0	51.2	58.6	47.4	37.8
P/BV	62.4	49.6	31.5	22.1	16.8	14.1	11.7	9.5
EV/Sales	43.1	40.5	33.1	24.7	18.1	21.4	17.9	13.2
EV/EBITDA	124.5	91.6	65.5	56.4	42.2	51.1	42.2	33.4
Dividend Yield (%)	0.1	0.1	0.0	0.2	0.3	0.2	0.2	0.3
FCF per share	4.3	10.3	10.2	-1.2	9.1	1.0	6.5	21.0
<b>Return Ratios (%)</b>								
RoE	42.5	45.5	45.0	34.9	33.2	22.1	22.0	23.6
RoCE	40.2	43.4	43.5	33.9	32.4	21.6	21.6	23.2
RoIC	51.4	64.2	77.3	56.1	48.5	29.0	26.7	30.8
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	3.4	2.9	2.9	2.8	2.5	1.4	1.3	1.5
Asset Turnover (x)	1.4	1.2	0.9	0.9	0.9	0.6	0.6	0.7
Inventory (Days)	34.4	30.1	37.7	47.0	42.4	57.0	57.0	57.0
Debtor (Days)	55.5	60.8	52.9	81.8	57.0	75.5	75.5	75.5
Creditor (Days)	20.7	31.1	43.4	54.4	31.4	50.0	50.0	50.0
<b>Leverage Ratio (x)</b>								
Current Ratio	3.1	1.7	1.8	2.9	2.7	2.2	2.4	3.0
Net Debt/Equity	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1

### Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>(INR m)</b>								
OP/(Loss) before Tax	1,365	1,823	2,673	3,048	3,956	3,265	3,906	4,794
Depreciation	110	137	172	249	361	459	661	665
Interest Expenses	0	1	1	1	2	9	11	13
Others	-65	-67	-109	-126	-153	-313	0	0
Direct Taxes Paid	-355	-424	-659	-691	-945	-755	-983	-963
(Inc)/Dec in WC	-208	131	-149	-1,209	-428	-295	-377	-781
<b>CF from Operations</b>	<b>848</b>	<b>1,601</b>	<b>1,928</b>	<b>1,273</b>	<b>2,793</b>	<b>2,370</b>	<b>3,218</b>	<b>3,728</b>
(Inc)/Dec in FA	-388	-503	-840	-1,396	-1,831	-2,267	-2,530	-1,500
<b>Free Cash Flow</b>	<b>460</b>	<b>1,098</b>	<b>1,088</b>	<b>-123</b>	<b>962</b>	<b>103</b>	<b>688</b>	<b>2,228</b>
Change in Investments	-576	-563	-1,078	532	-929	380	0	0
Others	14	3	51	78	61	29	0	0
<b>CF from Investments</b>	<b>-950</b>	<b>-1,063</b>	<b>-1,867</b>	<b>-786</b>	<b>-2,698</b>	<b>-1,859</b>	<b>-2,530</b>	<b>-1,500</b>
Issue of Shares	0	0	0	0	9	9	0	0
Inc/(Dec) in Debt	20	1	-24	0	0	0	0	0
Interest Paid	0	-1	-1	-1	-1	-8	-11	-13
Dividend Paid	-128	-153	-33	0	-558	-531	-382	-500
Others	10	-386	-1	0	-1	-2	0	0
<b>CF from Fin. Activity</b>	<b>-98</b>	<b>-540</b>	<b>-59</b>	<b>-1</b>	<b>-550</b>	<b>-532</b>	<b>-393</b>	<b>-514</b>
<b>Inc/Dec of Cash</b>	<b>-200</b>	<b>-3</b>	<b>1</b>	<b>486</b>	<b>-455</b>	<b>-20</b>	<b>295</b>	<b>1,715</b>
Opening Balance	295	95	92	93	579	125	104	399
<b>Closing Balance</b>	<b>95</b>	<b>92</b>	<b>93</b>	<b>579</b>	<b>124</b>	<b>105</b>	<b>400</b>	<b>2,114</b>

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NOTES



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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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